



***Program Compliance Office  
Cal Grant Program Review Report***

***2003-04 Award Year***

**Design Institute of San Diego  
Program Review ID#80502298000**

**8555 Commerce Ave.  
San Diego, CA 92121**

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**Program Review Dates:** 6/23/2005 - 7/13/2005

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(916) 526-8034

**Report Approved by:** Charles Wood, Manager  
Program Compliance Office  
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## AUDITOR'S REPORT

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### SUMMARY

We reviewed Design Institute of San Diego's administration of California Student Aid Commission (Commission) programs for the 2003-04 award year.

The institution's records disclosed the following deficiencies:

- Tuition Charges Less Than Cal Grant Award
- Incorrect Renewal Unmet Need Reported
- Renewal Notification Not Documented
- Cal Grant Funds Not Reconciled Timely

### BACKGROUND

Through institution compliance reviews, the administration of Commission programs is evaluated to ensure program integrity with applicable laws, policies, contracts and institutional agreements as they pertain to the following grant programs administered by the Commission:

Cal Grants

A and B

The following information, obtained from the institution and Commission database, is provided as background on the institution:

#### A. Institution

- |                         |  |
|-------------------------|--|
| Type of Organization:   | Private Institution of Higher Education                  |
| • President:            | Arthur Rosenstein  |
| • Accrediting Body:     | Accrediting Council for Independent Colleges and Schools |
| • Size of Student Body: | 480  |

#### B. Institutional Persons Contacted

- |                  |                       |
|------------------|-----------------------|
| • Jackie Gloria: | Financial Aid Officer |
| • Cindy Gregory: | Business Officer      |

#### C. Financial Aid

- |  |  |
|--|--|
| • Date of Prior Commission Program Review: | October 1999   |
| • Branches:                                | None   |
| • Federal Financial Aid:                   | Pell, SEOG, Work-Study, and Family Education Loan Programs |
| • Financial Aid Consultant:                | None   |

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## AUDITOR'S REPORT (continued)

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### OBJECTIVES, SCOPE AND METHODOLOGY

The purpose of our review is to provide the Commission with assurance that the institution adequately administered the Commission programs and their compliance with applicable laws, policies, contracts and institutional agreements as they pertain to the grant programs administered by the Commission.

The review focused on, but was not limited to, the following areas:

- A. General Eligibility
- B. Applicant Eligibility
- C. Fund Disbursement and Refunds
- D. Roster and Reports
- E. File Maintenance and Records Retention
- F. Fiscal Responsibility for Program Funds

The specific objectives of the review were to determine that:

- Administration systems have adequate controls to ensure that grant funds received by the institution are secure.
- Administration systems have adequate controls to ensure that grant payments are accurate, legal and proper.
- Accounting requirements are being followed.

The procedures performed in conducting this review included:

- Evaluating the current administrative procedures through interviews and reviews of student records, forms and procedures.
- Evaluating the current payment procedures through interviews and reviews of student records, forms and procedures.
- Reviewing the records and grant payment transactions from a sample of 16 students who received a total of 9 Cal Grant A awards and 7 Cal Grant B awards within the review period. The program review sample was randomly selected from the total population of 18 recipients.

The review scope was limited to planning and performing procedures to obtain reasonable assurance that Commission grant funds were administered according to the applicable laws, policies, contracts and institutional agreements. Accordingly, transactions were examined on a test basis to determine whether grant funds were expended in an eligible manner. The auditor considered the institution's management controls only to the extent necessary to plan the review.

This report is written using the exception-reporting format, which excludes the positive aspects of the institution's administration of the California grant programs.

The names and social security numbers of the sample of students reviewed have been excluded from the body of this report and have been replaced by identifying numbers. Attachment A is a listing of the students by name, social security number and grant type.

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## AUDITOR'S REPORT (continued)

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<b>CONCLUSION</b>	In conclusion, except for the deficiencies cited in the Findings and Required Actions section of this report, the institution administrated the Commission grant programs in accordance with the applicable laws, policies, contracts and institutional agreements as they pertain to the Commissions grant programs.
<b>VIEWS OF RESPONSIBLE OFFICIALS</b>	The review was discussed with agency representatives in an exit conference held on July 13, 2005.

July 13, 2005

Charles Wood, Manager  
Program Compliance Office

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## FINDINGS AND REQUIRED ACTIONS

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C. FUND  
DISBURSEMENT  
AND REFUNDS:

**FINDING: Tuition Charges Less Than Cal Grant Award**

A review of 16 student files revealed 4 cases in which the institution incorrectly paid more tuition charges than the student was eligible to receive.

**DISCUSSION:**

According to the program requirements, tuition/fee awards may only be used to pay **actual tuition/fee charges** incurred by the student for a specific period of enrollment.

A review of the file for student Nos. 6, 13, and 15 revealed that the institution erroneously disbursed more Cal Grant funds than the student's respective tuition/fee charges. In addition student No. 16's tuition was reduced to \$818 due to a tuition refund; however, the reversed Cal Grant tuition funds were not returned to the Commission. The incorrect tuition payments resulted in a liability as illustrated in the table below:

Student Number	Quarter	Actual Tuition/Fee Charges	Cal Grant Funds Disbursed	Ineligible Funds
6	Fall	\$4,320	\$4,854	\$ 534
13	Fall	\$4,320	\$4,854	\$ 534
15	Spring	\$4,800	\$4,854	\$ 54
16	Spring	\$ 818	\$2,493	\$1,675
<b>Total tuition/fee overpayment</b>				<b>\$2,797</b>

**REFERENCES:**

California Education Code, Section 69434(a), 69435(a)(1) and (2)  
Institutional Agreement, Article IV.A  
Cal Grant Manual, Chapter 3, page 4 – 5, September 2004  
Cal Grant Manual, Chapter 9, page 4

**REQUIRED ACTION:**

The institution is instructed to return the ineligible amount of **\$2,797** on behalf of the students No. 6 (\$534), 13 (\$534), 15 (\$54), and 16 (\$1,675) as directed in the general payment instructions located at the conclusion of this report.

This issue was noted in the October 1999 program review and is considered a repeat finding. Due to the severity of this finding and the continuous non-compliance, the institution is required to perform a portfolio review of all Cal

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## **FINDINGS AND REQUIRED ACTIONS (continued)**

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Grant funds disbursed for the 2004-05 award years to ensure that Cal Grants tuition/fee awards are did not pay for more than the actual charges.

The portfolio review must include all Cal Grant payments for each recipient and presented in spreadsheet format with the following column identifiers:

- Cal Grant Recipient's Name
- Social Security Number
- Program Type (A or B)
- Term (Fall, Winter, Spring, Summer)
- Tuition/Fee Detail Per Term
- Amount of Cal Grant Funds Disbursed
- Eligible Tuition/Fee Amount
- Ineligible Amount

A statement attesting to the completeness and accuracy of the data submitted must be provided by the person(s) performing this review. Supporting documents are to be provided upon request and available for any future program reviews.

Lastly, the institution is required to submit policies and procedures that will be implemented to ensure that Cal Grant tuition and fee awards do not exceed the student's actual tuition/fee charges.

### **INSTITUTION RESPONSE:**

The students who received full-time awards that were over-awarded due to the decrease in tuition for a transfer class. A new procedure has been applied to all Cal Grant students when awarding. A spreadsheet is prepared that included the amount of Cal Grant due with a column that includes tuition billed. The amount can be verified before awards are paid. An example of the spreadsheet is attached. This new procedure will ensure proper awards and prevent any over awards in the future.

### **AUDITOR REPLY:**

The institution returned \$2,797.00 on check # 24749 dated September 22, 2005 for 2003-04 overawarded funds. The 2004-05 portfolio review disclosed overawarded funds of \$216 which were returned on check # 24803 dated October 3, 2005. Also the institution provided procedures that ensure Cal Grant tuition and fee awards do not exceed the student's actual tuition/fee charges. This action is deemed acceptable and no further action is required.

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## FINDINGS AND REQUIRED ACTIONS (continued)

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### D. ROSTERS AND REPORTS:

#### **FINDING: Incorrect Renewal Unmet Need Reported**

A review of 16 Cal Grant recipients revealed 4 students whose reported renewal unmet need was not correct.

#### **DISCUSSION:**

For renewal students, schools must calculate a student's unmet need and report that figure to the Commission, retaining the supporting documentation within the student's record. Schools may use the Commission's annually established student expense budget or the school may adopt its own student budget for determining renewal financial eligibility provided the budgets do not exceed those used for campus-administered aid.

The school must report the resulting net unmet need amount on the Grant Roster or the Commission G-21 letter so the student's maximum Cal Grant award determination is correct. Net unmet need is defined as student's cost of attendance (COA) minus the Expected Family Contribution (EFC) and Pell grant.

For student Nos. 2, 4, 9, and 14, the institution reported incorrect Cal Grant renewal unmet need amounts according to the students' data provided by the school.

#### **REFERENCES:**

Institutional Agreement, Article II, Section J  
Cal Grant Manual, Chapter 4, pages 4-2 and 4-3  
Cal Grant Manual, Chapter 5, page 5-15

#### **REQUIRED ACTION:**

This issue was noted in the October 1999 program review; therefore, this finding is deemed continuous non-compliance. However, no liability resulted due to the high unmet need. The financial aid office must update the Cal Grant policies and procedures to ensure the renewal Cal Grant unmet need to correctly calculate using Commission guidelines and documented in the student financial aid records.

#### **INSTITUTION RESPONSE:**

The students who were reported are new students and the award amount was report from the Student Aid commission and can't be changed on Web Grants. The college will report the correct budget on the G-21. The budgets were so high the college didn't know the importance of changing the students. A new procedure will be added using the G-21 to ensure accuracy.



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## FINDINGS AND REQUIRED ACTIONS (continued)

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### AUDITOR REPLY:

The institution submitted policies and procedures to correctly calculate Cal Grant renewal unmet met need. This action is deemed acceptable and no further action is required.

E. RECORD  
RETENTION AND  
FILE  
MAINTENANCE:

**FINDING: Renewal Notification Not Documented**

A review of 16 student files revealed 1 case in which the institution was unable to document renewal notification.

### DISCUSSION:

As stated in the Cal Grant Manual, institutions must send the participant a letter, or other confirmation, to notify financially eligible renewal applicants of their Cal Grant eligibility, the amount of the award and any school-specific disbursement timelines and information. Institutions must retain evidence of this notification.

A review of the file for student No. 11 and discussions with institutional staff revealed that the aforementioned student was not notified of their Cal Grant renewal eligibility for the 2003-04 award year.

### REFERENCE:

Cal Grant Manual, Chapter 6, Section 6.3., *dated November 2003*

### REQUIRED ACTION:

The institution is required to submit policies and procedures that will be implemented to ensure that renewal students are notified of their Cal Grant eligibility and evidence of the notification is retained.

### INSTITUTION RESPONSE:

This is an isolated incident. All awards are added to a student award letter. This student changed her award mid-semester and an over-site of a revised award letter was not updated. The office will be careful to ensure any changes be updated in the future.

### AUDITOR REPLY:

This action is deemed acceptable and no further action is required.

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## FINDINGS AND REQUIRED ACTIONS (continued)

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F. FISCAL  
RESPONSIBILITY:

**FINDING: Cal Grant Funds Not Reconciled Timely**

Reconciliation of 2003-04 Cal Grant funds was not completed timely.

**DISCUSSION:**

Once the Commission advances Cal Grant funds, schools must determine and verify student eligibility before disbursing funds. The institution certifies that it has paid each student an amount that reconciles to the Commission's records.

An institution may not apply excess funds to any other student's account or to any prior year accounts. The Commission strongly recommends that institutions reconcile Cal Grant program expenditures monthly for each award year. Moreover, schools are required to make all disbursements by September 30 following the end of the award year (for example, September 30, 2004, for award year 2003-04).

The school will bear the liability for payments not reported prior to the payment deadline. If the institution's records of individual payments to eligible students be less than what the Commission paid, the institution must return the difference to the Commission.

Furthermore, the institution must return the Commission any funds due upon receipt of the invoice or any specific award year funds (i.e., 2003-04) remaining in its Cal Grant account. Invoice payment is due within thirty (30) days of the invoice date.

The Commission sent the institution \$4,854 in Cal Grant B tuition for student No. 14. The institution however, disbursed \$4,800 to student and did not return the **\$54** undisbursed funds.

**REFERENCES:**

California Education Code, 69535.5  
Institutional Agreement, Article II.C, IV.D.1, IV.D.2, and IV.D.5  
Cal Grant Manual, Chapter 5, page 20  
Cal Grant Manual, Chapter 6

**REQUIRED ACTION:**

The institution must return the **\$54** for student No. 14 In response to this report. Additionally, the institution must provide procedures for Cal Grant reconciliation that have been put into place to ensure all payment transactions are reported by the Commission deadline and undisbursed funds are returned to the Commission.

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**FINDINGS AND REQUIRED ACTIONS (continued)**

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**INSTITUTION RESPONSE:**

This is an isolated incident. The college found and over award of funds on the student and corrected the student account. The bookkeeping office never returned the funds to the Cal Grant account. This is a one time clerical error. The office will ensure that the accounts are reconciled accurately in the future.

**AUDITOR REPLY:**

The institution returned \$54 on check # 24801 dated October 3, 2005 and policies and procedures for Cal Grant reconciliation. This action is deemed acceptable and no further action is required.

<i>ID</i>	<i>Student Name</i>	<i>Program &amp; E/C</i>	<i>New/Renewal</i>
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